

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 31, 2022

Volume 15 Issue 166

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Lots of studies casting doubt on whether this pullback has a bounce in it soon.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I am not overly-enthusied, but there does seem to be some upside edge.

Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 29, 2022	Friday down 1.5x the 20-day ATR.	1-4 days	Bullish	2.50%	-1.50%	-2.70%
Active - Long Term						
August 23, 2022	10ema breadth collapse	1 month	Bearish			
August 16, 2022	SPX goes from < 15% above 50 to > 90%	1-6 months	Bullish			
August 15, 2022	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
August 11, 2022	50-day high breakout on 90% Up Vol	1-40 days	Bullish	8.00%	-1.80%	-4.40%
August 1, 2022	NYSE Up Issues % > 70% 3 straight days	1-80 days	Bullish	9.85%	-4.72%	-11.90%
July 11, 2022	NASDAQ Leading	int term	Bullish			
June 13, 2022	Inverse Zweig Breadth Collapse	1-3 months	Bearish			
May 2, 2022	Worst 6 Months with Jan-April selling	1-6 months	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

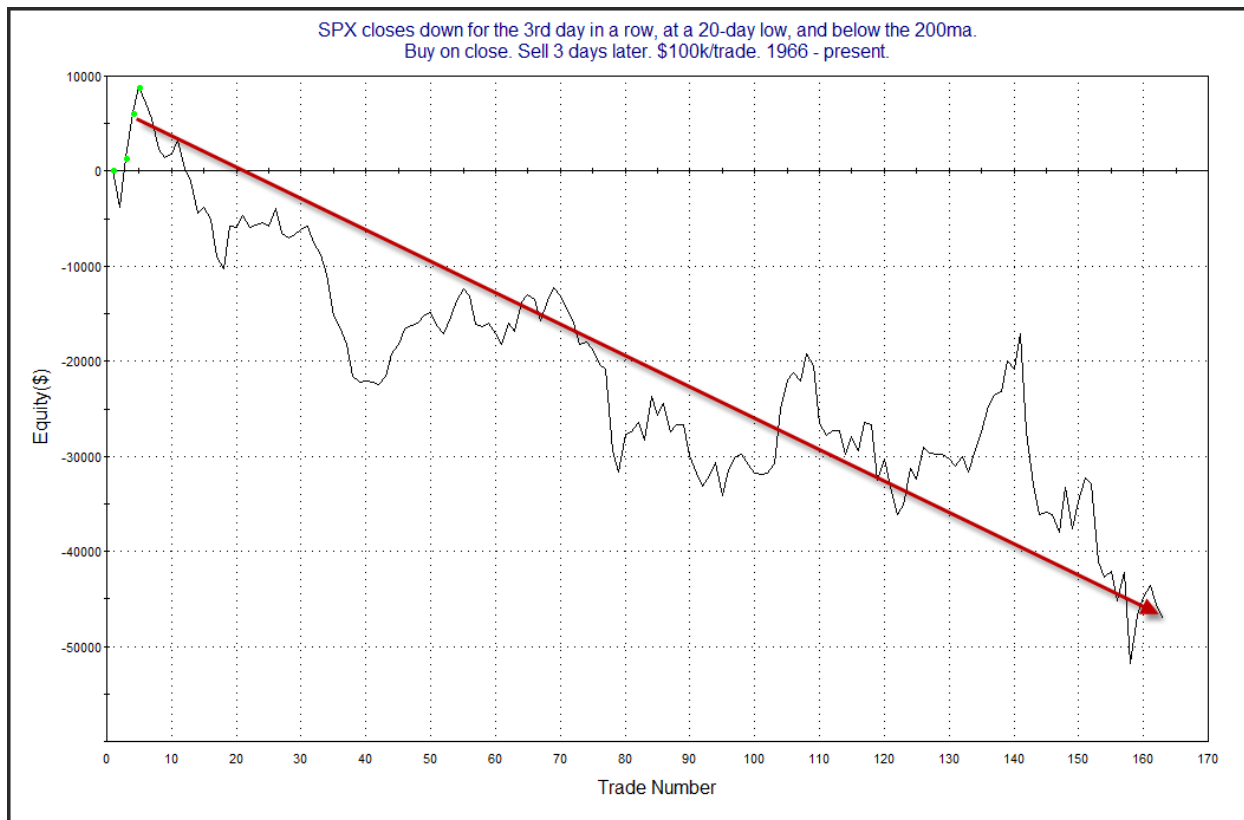
The Evidence

A positive start to the day did not last. In the last 2 weeks the market has really struggled to push higher during the day. Tuesday the SPX declined 1.10%, the NASDAQ dropped 1.12%, and the Russell 2000 slid 1.45%. Breadth was negative with the NYSE Up Issues % coming in at 20% and the Up Volume % at 18%. NYSE total volume rose some from Monday's level.

Despite multiple days of selling and the market making intermediate-term lows, I am not seeing much evidence that I find compelling. As an example, the study below looks at 3 down days and a 20-day low below the 200ma.

SPX closes down for the 3rd day in a row, at a 20-day low, and below the 200ma. Buy on close. Sell X days later. \$100k/trade. 1966 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	55,174.69	130	77	53	59.23	10,490.88	-18,329.76	3,171.36	-3,566.41	0.89	1.29	424.42
9	24,639.02	135	71	64	52.59	12,144.60	-15,899.04	3,345.99	-3,326.97	1.01	1.12	182.51
8	19,814.47	138	78	60	56.52	9,602.98	-17,445.26	3,014.41	-3,588.49	0.84	1.09	143.58
7	17,905.66	142	72	70	50.70	10,005.56	-17,473.50	2,971.88	-2,800.99	1.06	1.09	126.10
6	26,163.58	147	79	68	53.74	7,910.40	-19,425.59	2,611.57	-2,649.27	0.99	1.15	177.98
5	-10,595.08	153	80	73	52.29	9,572.31	-18,000.90	2,250.37	-2,611.30	0.86	0.94	-69.25
4	-14,287.11	163	88	75	53.99	6,625.10	-17,037.90	1,780.71	-2,279.86	0.78	0.92	-87.65
3	-47,083.13	163	76	87	46.63	5,801.02	-10,286.10	1,763.17	-2,081.43	0.85	0.74	-288.85
2	-45,236.49	163	72	91	44.17	5,040.54	-16,188.58	1,489.78	-1,675.83	0.89	0.70	-277.52
1	-35,526.95	163	80	83	49.08	5,245.44	-20,424.58	992.62	-1,384.78	0.72	0.69	-217.96

Numbers here are generally weak for the 1st few days before turning slightly upwards. They don't appear to suggest a strong edge. The 3-day profit curve is shown below.



While extremely choppy and inconsistent, this was the most compelling curve, so that is why I showed it.

Last night I discussed a “Turnaround Tuesday” edge. Obviously that flopped on Tuesday. In the past I have sometimes found that a failed Turnaround Tuesday often gets a nice bump on Wednesday. So I decided to filter the above study to see how it performed if the setup triggered on a Tuesday.

SPX closes down for the 3rd day in a row, at a 20-day low, and below the 200ma. Today is Tuesday.
Buy on close. Sell X days later. \$100k/trade. 1966 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-23,418.14	30	15	15	50.00	5,638.14	-10,991.04	2,258.86	-3,820.07	0.59	0.59	-780.60
9	-23,768.46	33	15	18	45.45	5,304.24	-9,758.40	2,238.80	-3,186.13	0.70	0.59	-720.26
8	-12,237.19	33	17	16	51.52	5,663.58	-7,453.24	2,249.92	-3,155.36	0.71	0.76	-370.82
7	-14,814.57	33	16	17	48.48	4,173.50	-7,305.96	2,175.03	-2,918.53	0.75	0.70	-448.93
6	-6,405.31	33	17	16	51.52	5,510.40	-6,326.10	2,148.90	-2,683.54	0.80	0.85	-194.10
5	-10,519.61	34	18	16	52.94	5,093.02	-11,356.40	1,875.49	-2,767.41	0.68	0.76	-309.40
4	722.80	35	19	16	54.29	4,657.96	-8,919.90	1,763.57	-2,049.07	0.86	1.02	20.65
3	9,069.48	35	19	16	54.29	4,517.66	-5,850.90	1,719.80	-1,475.42	1.17	1.38	259.13
2	1,531.21	35	16	19	45.71	4,298.70	-4,053.60	1,751.96	-1,394.74	1.26	1.06	43.75
1	4,202.22	35	18	17	51.43	2,496.08	-1,829.78	1,029.70	-843.08	1.22	1.29	120.06

These results look almost the opposite of the previous ones. Moderate upside following by a little downside.

I will also note that the Quantifiable Edges Capitulative Breadth Indicator (CBI) is zero. In the past, bounces have been much more reliable when there has been an elevated CBI. The study below looks at other 20-day lows below the 200ma when the CBI was at zero.

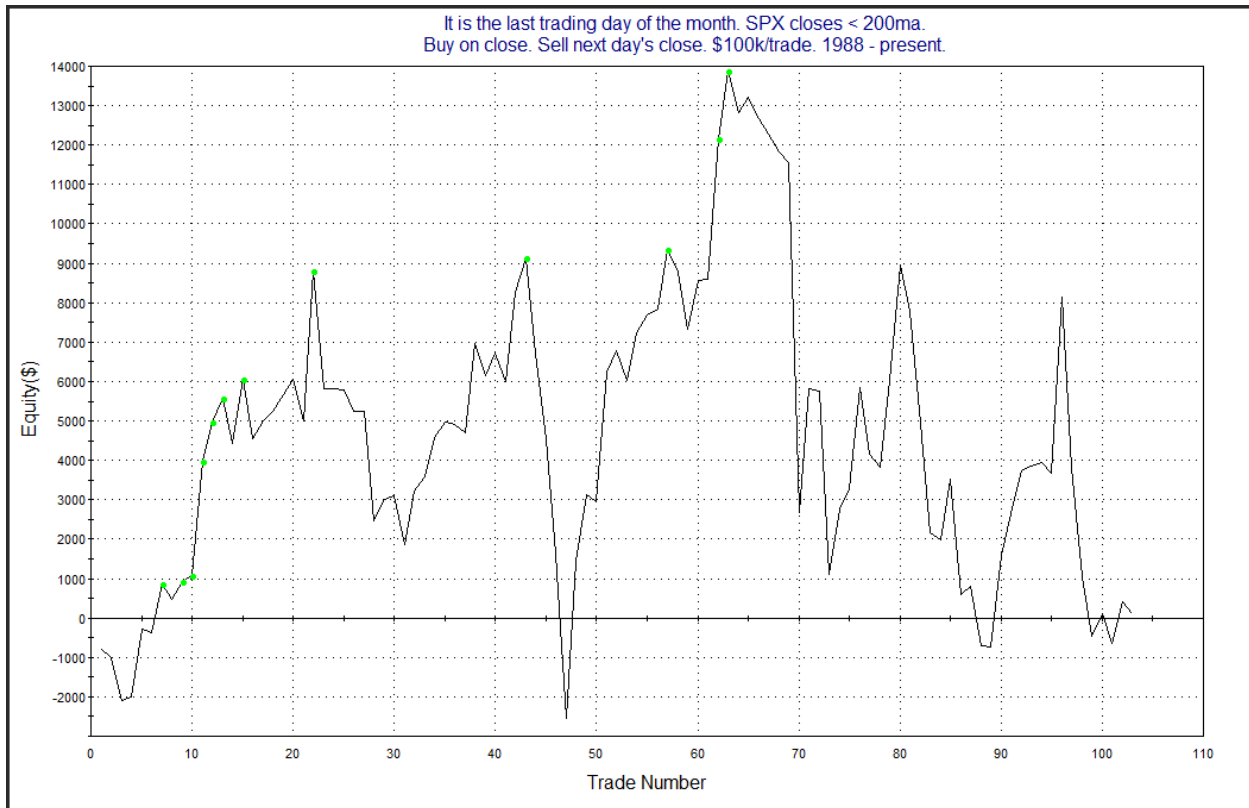
SPX closes at a 20-day low and below the 200ma. CBI = 0. Buy on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-5,636.84	38	20	18	52.63	8,311.15	-11,524.02	2,903.65	-3,539.44	0.82	0.91	-148.34
9	-6,287.84	39	19	20	48.72	7,921.30	-10,076.34	3,386.79	-3,531.85	0.96	0.91	-161.23
8	-10,456.58	41	18	23	43.90	7,949.70	-9,551.73	3,469.18	-3,169.65	1.09	0.86	-255.04
7	-8,348.33	43	18	25	41.86	7,662.81	-7,354.80	2,889.57	-2,414.43	1.20	0.86	-194.15
6	-6,591.25	44	18	26	40.91	8,870.96	-10,529.91	2,981.06	-2,317.32	1.29	0.89	-149.80
5	-17,041.06	48	22	26	45.83	5,486.55	-6,711.66	2,302.98	-2,604.10	0.88	0.75	-355.02
4	-5,261.92	50	26	24	52.00	7,324.62	-10,632.61	2,112.76	-2,508.07	0.84	0.91	-105.24
3	-2,400.80	56	29	27	51.79	6,051.15	-5,403.51	1,794.61	-2,016.46	0.89	0.96	-42.87
2	-2,379.02	66	32	34	48.48	6,245.15	-4,264.42	1,522.59	-1,502.99	1.01	0.95	-36.05
1	-3,232.86	87	44	43	50.57	3,322.23	-4,302.72	891.41	-987.33	0.90	0.92	-37.16

No hint of an upside edge here. But what if the CBI was even just at 5?

SPX closes at a 20-day low and below the 200ma. CBI >= 5. Buy on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	95,560.07	57	39	18	68.42	15,280.64	-16,437.96	4,479.46	-4,396.61	1.02	2.21	1,676.49
9	93,796.52	58	36	22	62.07	16,322.80	-10,935.96	4,927.16	-3,799.15	1.30	2.12	1,617.18
8	88,808.45	60	42	18	70.00	15,738.88	-18,143.28	4,076.40	-4,577.79	0.89	2.08	1,480.14
7	98,834.59	62	41	21	66.13	13,776.64	-14,010.70	4,178.46	-3,451.54	1.21	2.36	1,594.11
6	133,531.22	64	45	19	70.31	14,933.73	-7,964.16	4,224.80	-2,978.14	1.42	3.36	2,086.43
5	88,479.30	66	43	23	65.15	17,127.00	-12,975.48	3,648.43	-2,974.04	1.23	2.29	1,340.60
4	90,129.50	74	51	23	68.92	13,981.45	-14,820.98	3,011.53	-2,759.08	1.09	2.42	1,217.97
3	91,234.87	84	56	28	66.67	12,304.89	-13,815.18	3,011.76	-2,765.14	1.09	2.18	1,086.13
2	62,148.37	101	61	40	60.40	10,965.69	-8,657.72	2,461.46	-2,200.01	1.12	1.71	615.33
1	81,570.65	142	86	56	60.56	11,558.43	-9,386.64	2,220.56	-1,953.53	1.14	1.75	574.44

Results here are much more appealing. Unfortunately, the CBI is stuck at zero, and the odds are not this favorable.

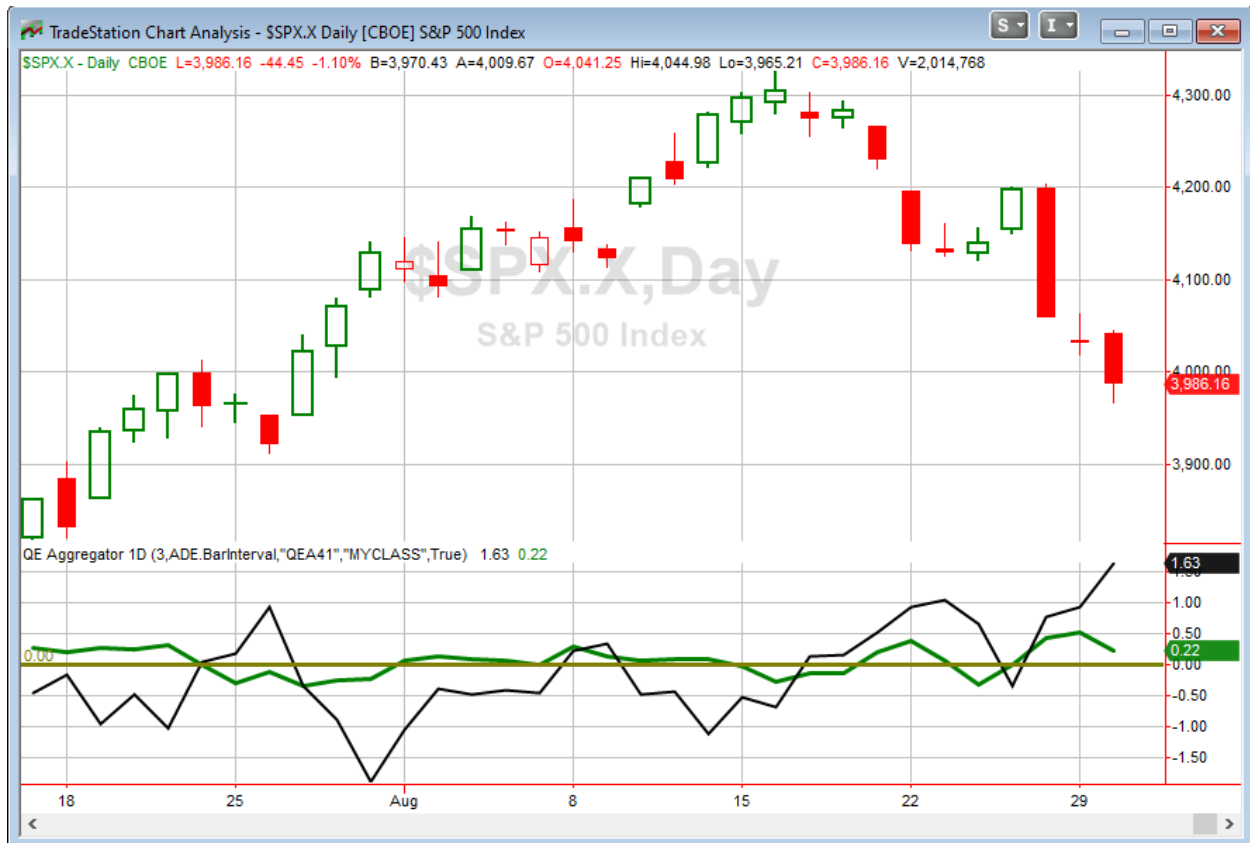
In looking at Thursday, the 1st trading of the month often carries an upside edge. But that has really only been the case when the SPX is above its 200ma. And SPX is well below that line right now. In the 6/30/22 letter I showed Day-1 results when SPX was in a long-term downtrend like now. I have updated that chart below.



Pretty remarkable that after 103 instances there is almost exactly zero progress. We probably can't look to 1st of the month to help the market Thursday.

Overall, we have a steep pullback that is failing to generate much in the way of compelling reasons to aggressively buy it.

I have updated [the Aggregator chart](#) below.



Without any new studies making the cut tonight, the green Aggregator line remained above zero. Positive readings mean expectations are for upside over the next over the next few days. Meanwhile the black Differential Line is also above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation stayed long at the close.

Based on the current active studies, expectations are set to remain positive on Wednesday. Of course this could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4060.42. That is 1.9% above Tuesday's close. Therefore, SPX would need to close up at least 1.9% on Wednesday to flip from oversold to overbought vs recent expectations.

So the Aggregator is again bullish. SPX is extremely oversold, but evidence is not great. I believe there is a better chance of a bounce in the next few days than a continuation lower. But with the CBI at zero and the way some of the other studies looked tonight, I don't have great confidence in a quick bounce. I have a small long position. I will keep it as a small long position for another day, and examine the action and the evidence again tomorrow.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/29 – neutral

The intermediate-term outlook was last updated in the 8/29/22 Letter. It can be found in the [most recent weekly letter](#) on the website.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

Additional New Trade Ideas

A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	8/29/2022	\$402.20	\$398.21	-0.99%	Aggregator

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